

**Audit of the Quality of Results Data Presented
in USAID/Guinea's Results Review and Resource
Request (R4) Report Prepared in 1997**

**Report No. 7-675-98-003-P
September 24, 1998**

**Regional Inspector General
Dakar**




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September 24, 1998

MEMORANDUM FOR USAID/GUINEA DIRECTOR, JOHN B. FLYNN

FROM:  Henry L. Barrett, RIG/Dakar

SUBJECT: Audit of the Quality of Results Reported in USAID/Guinea's
Results Review and Resource Request (R4) Report Prepared in
1997, Report No. 7-675-98-003-P

This memorandum is our report on the subject audit. We have considered your comments on the draft report and have included them as Appendix III.

The report contains two recommendations. Based upon your comments and actions, USAID/Guinea has made a Management Decision to address both recommendations. In accordance with USAID guidance, M/MPI/MIC will be responsible for determining when Final Action has occurred for Recommendation Nos. 1 and 2.

I appreciate the courtesies and cooperation extended to my staff by USAID/Guinea staff during the audit

Background

Passage of the Government Performance and Results Act of 1993 (Results Act), among other things, was intended to improve the effectiveness of federal programs and public accountability by promoting a new focus on results. The General Accounting Office (GAO) noted that key steps in building a successful results-oriented organization include collecting and using performance information in the decision making process. Congress also recognized, in the Results Act, agency managers need performance information to facilitate decision making leading to programs that meet intended goals. GAO also noted that successful implementation of the Results Act is dependent on good information for decision making purposes. In this regard, we adopted five characteristics of what we believe is good management information: objectively verifiable, supported accurate, complete, and validated.

Since USAID was established in 1961, it has initiated numerous systems to report on program results. However, none of these systems have been fully successful

Over the past several years, the Office of Inspector General (OIG) has intermittently reported on weaknesses in USAID's ability to measure and report reliable program performance information. Examples of these audit reports include:¹

- A June 1995 report identified that USAID needed better direction and control procedures to ensure that (1) objectively verifiable and measurable indicators are established to measure program performance and (2) reliable and useful performance data are reported and documented.
- A March 1998 report on USAID's fiscal year 1996 financial statements identified that 29 of the 38 (76 percent) of the quantified results reported in the program performance section of the overview section were either incorrect, vaguely set forth, or unsupported.
- Another audit report issued in March 1998 identified that 10 of 11 overseas missions reviewed had not developed or had not finalized a formalized, ongoing system of data collection and verification to report good performance data.

In light of the problems reported, the OIG was concerned these conditions may be pervasive throughout USAID and decided to perform this USAID-wide audit to (1) establish a baseline for future OIG audit work, (2) identify problems with current data reporting, and (3) develop recommendations for improving data reporting. This audit was not intended to assess the quality of the performance indicators (subject of a future audit), but rather to determine if the performance results reported in the R4s by operating units were objectively verifiable, supported, accurate, complete, and validated. This audit of USAID/Guinea is one of 18 audits being done on a USAID-wide basis.

USAID/Guinea's R4 for fiscal year 1996, prepared in March 1997 and reported performance results for 15 indicators. As of September 30, 1997, USAID/Guinea had obligated and expended in support of its active programs a total of \$158.5 million and \$128.3 million, respectively.

Audit Objective

The Regional Inspector General/Dakar, as part of an USAID-wide audit, performed the audit to answer the following question:

¹ The three audit reports referred to in this paragraph are Audit Report No. I-000-95-006 (dated June 30, 1995), Audit Report No. O-000-98-00 1 -F (dated March 2, 1998), and Audit Report No. 9-000-98-001-P (dated March 26, 1998).

Did USAID/Guinea report results data in its Results Review and Resource Request prepared **in 1997** which were objectively verifiable, supported, accurate, complete and validated?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did USAID/Guinea Report Results Data in its Results Review and Resource Request Prepared in **1997** Which Were Objectively Verifiable, Supported, Accurate, Complete and Validated?

USAID/Guinea did not report results data which were objectively verifiable, supported, accurate, complete, and validated.

Federal laws and regulations require federal agencies to develop and implement internal management control systems that: (1) compare actual program results against those anticipated; (2) provide for complete, reliable, and consistent information; and (3) ensure that performance information is clearly documented and that the documentation is readily available for examination. For example, Office of Management and Budget (OMB) Bulletin 93-06 requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results is properly recorded and accounted for to permit preparation of reliable and complete performance information. (See Appendix IV for further discussion of relevant laws and regulations as well as related USAID policies and procedures .)

For the purpose of this audit, our definitions are as follows:

- *Objectively Verifiable*—The indicator is objective and the results have to be objectively verifiable. This means the indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. The indicator is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. Operational precision means no ambiguity over what kind of data would be collected for an indicator.
- *Supported*—This means that there was adequate documentation that supports the reported result. The support should be relevant, competent, and sufficient (as noted in the General Accounting Office's Government Auditing Standards). For example, a memo of a telephone conversation, or "best guesses" would not be considered adequate documentation.

- *Accurate*—This includes (1) being within plus or minus one percent (1.0 percent) of the actual documented result; and (2) being consistent with what was to be measured under the indicator, e.g., if the indicator was to vaccinate children under 5 years of age then the result would not be consistent if the supporting documents show that the result was for children under 3 years of age. The result would also not be considered accurate if supporting documents show that the result was achieved prior to January 1, 1996. (Note: Since we only reviewed results in the “performance data tables” for “1996,” the result would not be considered accurate if supporting documents showed the result was achieved in 1992.)
- *Complete*—This means the result includes all data against what was anticipated to be measured for the indicator and is for a full year. For example, if 20 regions were to be measured but only 18 regions were measured, the result would not be complete. Also, if the results were only for a partial year (e.g., a six-month period, then the result would not be complete).
- *V&dated*—This refers to the source of the data and the reliability of that source. We considered the source reliable if it came from an independent source such as the World Bank, United Nations (U.N.), independent evaluators, or an independent Demographic and Health Survey. If the data came from a contractor involved with the program or the host country Government the data would only be considered from a reliable source if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. (We fully recognize that under the Government Performance and Results Act USAID must validate its outside sources including the World Bank, U.N., etc., but for the purposes of this audit, we are not reviewing USAID's determination of validity of these independent sources. We plan to test USAID's validation process for external information, like the U.N., at a later time in another audit.)

As shown in Appendix III, our audit found problems² with 9 of 15 results reported for performance indicators for which results were reported in the R4 for fiscal year 1996 (which was prepared in 1997). A breakdown and examples of these problems are as follows:

² To avoid duplicating the problems related to the reported results (e.g. a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy.

- Results for three indicators were not objectively verifiable. **These** indicators are not objective because each of the three indicators is not operationally precise and calls for a subjective decision which would vary depending on the individual reading the indicator. For example, in the first indicator “National population policy articulated and implemented by Ministry of Plan,” the meaning of “articulated and implemented” is ambiguous and calls for a subjective decision which will vary from individual to individual. Does “implemented” mean that the Ministry of Plan has issued a Decree or does it mean that health centers are now practicing new family planning techniques? More precision is needed.

Likewise, the other two indicators, “Areas under sustainable agricultural practices” and “Number of villages adopting improved Natural Resource Management (NRM) practices” also call for a subjective decision with respect to what constitutes “sustainable” and “adopting.” What is sustainable? And does “adopting” mean that an entire village is using NRM practices or only some of the villagers and is it the first time the practice has been used or is it something that is being used over and over? Without knowing exactly what a particular piece of data is reporting, the reliability of the data is questionable.

- Results for three indicators were not adequately supported. Although the Mission was able to provide some documentation to support reported indicator results, this support was not always adequate. For the first indicator, “Percent of [Agricultural Marketing Foundation] AMF members applying for loans,” the Mission reported progress of “1 1.4 percent of the paid-up AMF members,” however, the documentation provided to the auditors was not acceptable because the list did not include all loan applications submitted by paid-up members to the Agricultural Marketing Foundation, instead the list only included the loan applications forwarded to the banks by the Agricultural Marketing Foundation. The essential point is that all paid-up member loan applications should be counted and not just those submitted to banks; thus the documentation provided did not allow for the calculation of the percentage of paid-up AMF members applying for loans.

For the second indicator, “Increase in contraceptive prevalence rate (CPR),” the Mission reported progress of “6%,” however, the documentation provided by the Mission did not indicate the source of the data and Mission staff did not know the source; thus the reliability of the source cannot be determined and the data cannot be accepted.

As for the third indicator, “Improved reporting system on local primary school expenditures which follows estimated budget line items through actual expenditures”, the Mission reported that 46 of the Ministry of Education’s prefectures had maintained a regular reporting system based on actual local primary school expenditures. The data was based on the Mission’s knowledge of the Ministry of Education’s activities. However, the Mission could provide no supporting documentation of these activities.

- Results for two indicators were not complete. One incomplete result was for the indicator, “Percent of people having specific knowledge of contraceptive methods.” Data on four different areas were supposed to be collected, however, reported results only covered two areas, “89 for Forest Guinea” and “91 for Upper Guinea” thus the data were incomplete and the accuracy unknown.

The indicator for “Number of loans made by year by [Rural Enterprise Development Project] PRIDE” also reported incomplete results (i.e. the reported results did not include data from all intended sources). For example, the reported progress of 13,630 loans only included micro loans given by PRIDE. However, documentation supplied to the auditors indicated that during the same time period PRIDE had in fact given two types of loans, micro loans and medium loans, totaling 13,652. Although the difference between the two figures is less than 1 percent we believe that because there are two types of loans both should have been reported; but since the loans are quite different there should probably be separate categories for each type of loan.

- Results for four indicators were not validated. In one case, “Percent of AMF members applying for loans,” while the source of the information was documented, the Mission did not document that it had performed an assessment of the validity and reliability of either the data or the system that produced the data. For the second indicator, “Increased in contraceptive prevalence rate (CPR),” there was insufficient documentation to identify the source of the data and therefore it was impossible to determine if an assessment of the validity of the data had been performed.

The other two indicators are related to financial matters of the Ministry of Education, “Share of recurrent education budget going to primary education,” and “Improved reporting system on local primary school expenditures which follows estimated budget line items through actual expenditures” the Mission reported results data in its R4 which had not been validated.

The above problems existed because USAID/Guinea did not always follow or was

not successful in following prescribed USAID policies and procedures (**Automated Directives System [ADS] 200 Series**) for measuring and reporting on program performance. For example, USAID/Guinea:

- Did not ensure three of its indicators were objective as prescribed by ADS section E203.5.5.
- Did not, in three cases, maintain documentation to support reported results as prescribed by ADS E203.5.5.³
- Did not always assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods as prescribed by ADS E203.5.5.

USAID/Guinea did not comply with USAID guidance relevant to reporting the progress it had achieved because its staff was not completely aware of the data collection and reporting requirements. Several members of the Mission's staff were new and stated that they had never received any training concerning indicators and the preparation of the R4 but believe such training would be extremely useful. Officials also stated that more attention would be given to ensure that supporting documentation is obtained and maintained for results reported in future R4s.⁴

Without reliable performance data, decision makers have little assurance whether an operating unit met, exceeded or fell short in achieving its program objectives

³ The guidance requires the operating unit to establish a performance monitoring system to collect and analyze data which will enable it to assess its progress in achieving results. This system should: (1) provide a detailed definition of the performance indicators to be tracked; (2) specify the data source and its method and schedule of collection; and (3) assign responsibility for data collection to an office team or individual.

⁴ We recognize that USAID/Washington bureaus are responsible for providing support to operating units to develop effective performance monitoring systems to report on program results and for reviewing the R4 process. For example, USAID's policies and procedures (ADS Sections 20 1.5.1 la and 203.3) stipulate that the Bureau for Policy and Program Coordination should (1) ensure the adequacy of operating units' strategic plans for measuring performance and documenting impact and (2) provide technical leadership in developing USAID and operating unit performance monitoring and evaluation systems. These policies and procedures also stipulate that each regional bureau (e.g., the Bureau for Europe and the New Independent States) should (1) provide oversight and support to its operating units in developing their strategic plans for measuring program performance; (2) support its operating units in achieving approved objectives, and reviewing and reporting annually those units' performance in achieving their objectives; and (3) manage the R4 submissions for operating units under its authority. The issue of USAID/Washington support and oversight will be addressed in another audit report which will be issued on completion of this USAID-wide audit.

and related targets. In our opinion, the problems with performance indicators and reporting on performance also impair USAID/Guinea's and USAID management's ability to measure progress in achieving USAID's program objectives for Guinea and to use performance information in budget allocation decisions. The problems also impair USAID's ability to comply with laws and regulations.

Recommendation No. 1: We recommend that **USAID/Guinea:**

- 1.1 ensure its performance indicators in the R4 prepared in 1999 are objective and clearly defined regarding what specific results are to be measured; and
- 1.2 ensure that the performance data identified in its R4 prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 *data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.

Other Related Matters

OMB Circular No. A-123, which provides standards for implementing the Federal Manager's Financial Integrity Act (FMFIA), requires agencies to annually submit to the President and the Congress (1) a statement on whether there is reasonable assurance that the agency's controls are achieving their intended objectives, and (2) a report on material weaknesses in the agency's controls.

According to the Circular, a deficiency should be reported if it is or should be of interest to the next level of management. Moreover, agency managers and staff should be encouraged to identify and report deficiencies, as this reflects positively on the agency's commitment to recognizing and addressing management problems.

USAID's implementing guidance to operating units performing the fiscal year 1997 FMFIA review stated that existing sources of information should be used to supplement management's judgement in assessing the adequacy of management controls, this includes program evaluations, audits and other reviews of mission operations. Also included in the guidance was a "Management Control Checklist" to be used as a guide in self-assessing the adequacy of controls. In this checklist, under the heading "Program Assistance" several questions pertained to information, documentation, performance monitoring systems and the validity of data.

USAID/Guinea in its October 1997 annual FMFIA certification did not note any management control deficiencies and stated that it generally complied with the FMFIA and OMB Circular A-123. However, earlier that year, May 1997, the Regional Office of Inspector General Dakar issued an audit report⁵ that identified deficiencies with the collection and reporting of accurate performance data. One recommendation specifically recommended that USAID/Guinea establish procedures to:

- a) document and file the assumptions that are used to develop performance indicators and targets at the Mission's strategic objective and intermediate result levels;
- b) reassess the validity of performance indicators and targets on at least an annual basis: and
- c) verify the validity and appropriateness of reported indicator data.

If USAID/Guinea had followed the guidelines for preparing the fiscal year 1997 FMFIA certification, the Office of Inspector General audit report should have been taken into consideration in noting Mission deficiencies. Moreover, the portion of the audit recommendation dealing with the verification of the validity of reported indicator data is almost identical to one of the questions in the Management Control Checklist which states "The validity of data reported on performance indicators is reasonably verified, including that furnished by other organizations." Accordingly, USAID/Guinea should have recognized that the validity of reported R4 indicator data was a problem and should have reported this as a deficiency in the fiscal year 1997 FMFIA report.

The audit report recommendations were resolved based on USAID/Guinea's establishment of a Strategic Planning Results Center that would critically review assumptions, targets and progress being made against established targets. The Mission added that steps would also be taken to reassess the validity of performance indicators and targets and ensure data accurately reflects the process or phenomenon being measured. The Mission stated closure would be requested when written procedures were issued. During our field visit for this current audit, April 1998, the Mission was finalizing its memorandum to USAID/Washington requesting the closure of the aforementioned recommendations.

⁵Audit Report No. 7-675-97-004-P dated May 27, 1997, Audit of USAID/Guinea's Growth in Agricultural Markets Strategic Objective.

According to senior staff at the time the fiscal year 1997 FMFLA report was prepared, October 1997, the Mission was experiencing staffing problems. At that time the Mission Director and Deputy Director were both absent from post and were not involved with the certification report's preparation. The Mission Controller was the Acting Mission Director and ultimately prepared and signed the certification report. The Controller was new and frequently absent from post and not extremely knowledgeable of Mission operations. Senior staff, who would have normally participated in the FMFLA assessment process, stated that they had no input into the Mission's fiscal year 1997 FMFLA certification report.

As a result of these staffing problems, all of USAID/Guinea's management control deficiencies were not noted in its fiscal year 1997 FMFLA certification report. In our opinion, the problems discussed in this audit report would constitute a material weakness in USAID/Guinea's implementation of prescribed internal control procedures and its ability to measure progress and report accurate data on program results. Therefore, USAID/Guinea needs to more fully address the problems discussed in this report.

Recommendation No. 2: We recommend that USAID/Guinea, in preparing the fiscal year **1998** report under the Federal Managers' Financial Integrity Act, perform an assessment of internal controls related to program performance weaknesses identified in this report and report material weaknesses as applicable.

Management Comments and Our Evaluation

USAID/Guinea concurred with both audit recommendations.

With respect to recommendation No. 1, USAID/Guinea stated in its comments to the audit report that by November 30, 1998 it will hold a workshop with all its partners in which it will review all of its performance indicators to (1) review all indicators for their relevance to the results being sought, (2) ascertain that they are clearly defined and understood by all concerned parties, (3) confirm that indicators are unidimensional in measuring desired results, and that they are objectively and independently verifiable. Additionally USAID/Guinea stated that it has drafted and will soon issue a mission order stipulating the mission requirements for a Performance Monitoring Plan. All USAID/Guinea Strategic Objective teams will have in place at the time of the preparation of the 1999 R4 a mission approved Performance Monitoring Plan (PMP). The PMP will include a time frame and plan for resolving data problems identified through the mission review process. Based upon the review of the Mission's planned activities, we believe that the Mission has made a Management Decision regarding

Recommendation No. 1. Final Action can be considered taken when the Mission provides evidence that it has implemented the recommendation of this review.

With respect to recommendation No. 2, USAID/Guinea stated that it plan to perform a thorough review of program controls as well as all other Mission control processes in conducting the FY 1998 FMFLA review. The Mission stated that the review should be substantially completed before the departure of the current Mission Director on September 23, 1998. Based upon the review of the Mission's planned activities, we believe that the Mission has made a Management Decision regarding Recommendation No. 2. Final Action can be considered taken when the Mission provides evidence that it has implemented the recommendation of this review.

In its comments to the draft report USAID/Guinea expressed its disagreement with the audit report's assessment of five performance indicators and provided to the auditors additional information concerning these indicators. Based on USAID/Guinea's comments and additional information provided, changes were made to the report's presentation of four of the indicators (indicators 9, 10, 11, and 12 --see Appendix III). With respect to indicator 8, "Percent of people having specific knowledge of contraceptive methods", the Mission stated that it did not report performance results for two of the four planned targeted regional areas because it did not target nor implement activities in those two regions. For this indicator the Mission's R4 indicated that results were planned for all four regions for FY 1996 and results had been reported for all four regions in FY 1995. Therefore we believe that the Mission should have reported results in its R4 for all four regions or the Mission should have noted in its R4 the reason why there were no reported results for all four planned targeted regions. Therefore, we believe as it was presented the reported results for the indicator were incomplete.

Additionally the Mission took exception to the standards used by the RIG auditors for judging "accuracy" (the Mission's full comments are present in Appendix II). The Mission stated that it believed that the definition of accuracy used in the audit is unnecessarily arbitrary and that USAID should not be expected to meet these standards. We believe that the margin of error used to determine accuracy in the audit is reasonable considering that the margin of error was used only in determining whether the progress reported in the Mission's R4 agreed with supporting documentation and not whether the progress reported in the R4 agreed with the actual progress.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Guinea's internal management controls for ensuring that it reported objectively verifiable, supported, accurate, complete, and validated performance results data in its Results Review and Resource Request (R4) report. (See pages 3 and 4 of this report for definitions). We audited only the results (including baseline data) reported for 1996 in the R4 prepared in 1997. The audit was performed in accordance with generally accepted government auditing standards and was conducted at USAID/Guinea from April 20 through May 8, 1998.

We limited our work on the validity and reliability of data to the results for only (1) the performance indicators identified in the "performance data tables" in the R4 (prepared in 1997), and (2) the actual results for which such data was shown for 1996. Therefore, if no actual results for an indicator were shown for 1996, we did not assess the validity and reliability for the results for that indicator. We did not review results reported in the narrative portion of the R4.

We also did not attempt to determine if the baseline data for a prior year and the results reported for 1996 were consistent and based on comparable data.

Methodology

This audit is part of an USAID-wide audit. The Office of Inspector General's Performance Audits Division in Washington, D.C. is the lead office. Operating units were selected using a random sample based on assistance from statisticians from the Department of Defense's Office of Inspector General.

To accomplish the audit objective, we interviewed officials from USAID/Guinea and reviewed the documents which supported the reported results. Where problems were found, we verified to the extent practical, the causes of the problems including additional interviews with Mission personnel.

To avoid duplicating the problems related to the reported results (e.g. a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

If the results reported for the indicators were found to be objectively verifiable, supported, accurate, complete and validated: (a) 95 percent or more of the time, (b) 80 to 94 percent of the time, or (c) less than 80 percent of the time, we would provide a positive, qualified, or negative answer to the audit question, respectively.

Analysis of USAID/Guinea's 1996 Indicators and Results
(as reflected in its R4 prepared in 1997) ⁶

Indicator	Objectively Verifiable	Supported	Accurate	Complete	Validated	Explanation of Problem
Volume of goods transported between key markets (1)	Yes	Yes	Yes	Yes	Yes	
Change in Transport Cost (2)	Yes	Yes	Yes	Yes	Yes	
Number of loans made by year by PRIDE (3)	Yes	Yes	Yes	No	Yes	Did not include medium loans
Percent of AMF members applying for loans (4)	Yes	No			No	Supporting documents were insufficient to determine percentage of loans; data not validated
Increase in sales of contraceptives (5)	Yes	Yes	Yes	Yes	Yes	
Increased in contraceptive prevalence rate (CPR) (6)	Yes	No			No	Source of supporting documentation was unknown
National population policy articulated and implemented by Ministry of Plan (7)	No					Vague, no supporting documentation provided
Percent of people having specific knowledge of contraceptive methods (8)	Yes	Yes	Unknown	No	Yes	Two regions were not included
Primary school gross enrollment rate (9)	Yes	Yes	Yes	Yes	Yes	
Share of recurrent education budget going to primary education (10)	Yes	Yes	Yes	Yes	No	No assessment performed; data not validated
Improved reporting system on local primary school expenditures which follows estimated budget line items through actual expenditures (11)	Yes	No			No	No supporting documentation provided. No assessment performed; data not validated.

⁶ To avoid duplicating the problems related to the reported results (e.g. a reported result could be both not supported and not accurate), we classified indicator results as having only one problem according to the following hierarchy: not objectively verifiable, not supported, not accurate, and not complete. We did, however, classify results as not validated (if applicable) in addition to another problem because we believe that the requirement for operating units to assess the quality of data sources was a distinct function and potentially related to each of the types of problems included in the hierarchy. We did not assess whether a result was validated if the result was not objectively verifiable.

APPENDIX II
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Indicator	Objectively Verifiable	Supported	Accurate	Complete	Validated	Explanation of Problem
Share of girls in first grade (12)	Yes	Yes	Yes	Yes	Yes	
Area of protected forests (13)	Yes	Yes	Yes	Yes	Yes	
Areas under sustainable agricultural practices (14)	No					No definition of "agricultural practices"; supporting documentation not clear; data not validated
Number of villages adopting improved NRM practices (15)	No					No definition of "adoption"; reported 35 supporting documents showed 39; data not validated
"No" Answers	3	3	0	2	4	

SEP 14 1998

Date: September 11, 1998
From: John B. Flynn, Mission Director USAID/Guinea
To: John Phee, RIG/Dakar
Subject: Audit of the Quality of Results Reported in USAID/Guinea's Results Review and Resource Request (R4) Report Prepared in 1997

This memorandum comprises two parts and an annex. Part One are responses to recommendations contained on Pages 7 and 9 of subject Audit, and Part Two provides comments to the findings and methodology of the audit.

PART ONE

Recommendation No. 7:

We recommend that USAID/Guinea:

1.1 ensure its performance indicators in the R4 prepared in 1999 are objective and clearly defined regarding what specific results are to be measured.

Response: USAID/Guinea concurs with this recommendation. USAID/Guinea Strategic Objective Teams will conduct indicators workshops with their partners by November 30, 1998. The purpose of the workshops will be to (1) review **all** indicators for their relevance to the results being sought, (2) ascertain that they are clearly defined and understood by all concerned parties, (3) confirm that **indicators** are unidimensional in measuring desired results, and that they **are** objectively **and** independently verifiable. In addition, conceptual expressions, phrases and/or terminologies will also be defined and made clear. Undertaking this exercise will minimize the risk for ambiguity in data collection and assessment, which can affect the quality and/or accuracy of results obtained. All the input from these workshops will be incorporated into final performance indicators. By the end of February 1999, **all** the above criteria would have been fulfilled.

1.2 ensure that the performance data identified in its R4 prepared in 1999 are supported, accurate, complete, and validated; or fully disclose in the R4 data limitations and their implications for assessing the measurement and achievement of performance targets for each performance indicator, and a time frame for resolving the problems.

Response: USAID/Guinea also concurs with this recommendation. USAID/Guinea has drafted and will soon issue a mission order stipulating the mission requirements

for a Performance Monitoring Plan. All USAID/Guinea Strategic Objective teams will have in place at the time of the preparation of the 1999 R4 a mission approved Performance Monitoring Plan (PMP). The PMP will include a time frame and plan for resolving data problems identified through the mission review process. **In readiness** for this exercise, the mission Strategic Planning and Results Center (SPRC), the central unit **responsible** for ascertaining that results submitted by Strategic Objective Teams (SOTs) are supported, accurate, complete and validated, has already conducted meetings with each SO Team, during the month of August, 1998, to develop a common understanding of the need and logic underlying a Performance Monitoring System and Plan.

In addition, SPRC will begin recruitment with the objective to have by the end of **the** current calendar year, a monitoring and evaluation specialist who will be responsible for providing technical expertise **to SO** teams with respect to results monitoring. **The objective is** to have a mission specialist for **a period** of two years during which time he/she **will be responsible** for providing "hands-on" training to SO team **members** on the various types of monitoring and evaluations skills required for assessing data and results. Data and results will be evaluated at two levels, first by SO **teams** through continual assessments of data received through their respective performance monitoring systems as approved in their PMPs, and second by senior mission management through bi-annual mission reviews of Strategic Objective Implementation Reports (SOIRs).

Comments:

The Mission takes exception to the standards used by the RIG Audit for "accuracy". We believe that the definition used at 95% is inconsistent with ADS guidelines and unnecessarily arbitrary, and we do not expect that USA/D can or should meet these standards.

Recommendation No. 2:

We recommend that USAID/Guinea, in preparing the fiscal year 1998 report under the Federal Manager's Financial Integrity Act, perform an assessment of internal controls related to program weaknesses identified in this report and report material weaknesses as applicable.

Response; USAID/Guinea concurs with this recommendation. In FY 98, the mission developed an internal review process to assess the validity of its results data. Each SO team prepares a Strategic Objective Implementation Report (**SOIR**) **bi-annually which** is reviewed by Mission senior management. **The** purpose of the review is to: 1) assess the progress against the expected results; 2) revalidate the indicators and assumptions; and 3) assess whether the data being reported meet the standards prescribed by the ADS. The review is performed essentially **to see**

whether or not the **team is “on track”** in terms of gathering and reporting results data. A written review **is conducted** by senior management documenting observations, comments, and corrections as well as solutions and recommendations. The team is required to respond to the review with a written plan for addressing the reviewers' comments and a revised SOIR.

The Mission plans to perform a thorough review of program controls as well as all other Mission control processes in conducting the FY 1998 FMFIA review. On August 24, 1998, the Mission Director, SPRC Acting Director, Acting EXO and Controller held a meeting to prepare a plan of action for carrying out the FY 1998 FMFIA. On September 2, **1998**, a meeting will be held with the **SO** teams to explain the FMFIA process and **how** they will participate in the review. The Mission will prepare written responses to all items on the Management Control Checklist. The Mission will meet again to discuss results and determine which weaknesses should be considered material and therefore reported to AID/W. The review should be substantially completed before the departure of the current Mission Director on September 23, 1998.

PART TWO

The following are comments provided by SO teams, primarily the Education SO, regarding findings of the audit.

S03: Education indicators

Mission supports the Education **Team's** request **that the audit report be revised to** remove indicators 9 and **12** from the categories "not adequately supported" and "not validated" **for the following reason:** The auditors and the "independent contractor" (LeBlanc's Education System Data Quality Survey, 1996)) use the term "validity" in two different **ways**. The LeBlanc report's 'validity' rating of 74% cited in the audit report (page 5) was actually a measure of whether officially-enrolled children were in school on a given day, NOT a measure of whether the Ministry's statistical report was reliable. [There **are a variety of** reasons other than the phenomenon of "phantom students" to explain why children would not be in school on a given day (eg. absence).] The LeBlanc report states on page 5 that "92% of student data are reliable at the national level, ranging from **a** low of 80% in N'Zérékoré to a high **of 100% in Faranah**." This more accurately corresponds to the auditors' definition of "validated" (i.e. that the source of data is deemed to be reliable). A more in-depth discussion of this point is found in an **attachment**.

Mission also supports the Education team's request for revision of **the audit** report's analysis of Indicator 10 which was lumped **in with "school-level indicators"** (page 6 of the audit report). This indicator is NOT a school-level indicator, i.e. "Share of recurrent budget going to primary education." **The SO team** points out that there was no reason to discount this indicator because it does not reflect data being reported at the school level.

As for Indicator 11, Mission points **at** that the audit report lumps this indicator in **with** the above indicators in **its** discussion of validity and supporting documentation. However, since the above-cited contractor's report did not deal with financial management, the SO team suggests that the report be revised to include the indicator-specific reasons for discounting that were cited verbally by the audit team while in-country.

Validity: Documentation of Sources

On page 3, the IG report states that data are valid if it comes from a "reliable source", for example the World Bank, UN, etc. The auditors found that SO3's data were not valid because of findings from an independent study

conducted on Ministry of Education (MEPU) data validity in 1996 (Education System Data Quality Survey). The World Bank and other international agencies use these same data which were judged unreliable by the auditors. Isn't this a contradiction? On the one hand, the Mission is told that its **data** are not validated and thus unreliable, and on the other that same data, reported by the World Bank are considered acceptable.

Validity: **Margin** of Error

The IG team established cut-off levels of 95%, 80-94%, and below 80% to judge their findings of whether the results reported were objectively verifiable, supported, accurate, complete, and validated (giving a positive, qualified, or negative answer to the audit question, respectively). Looking at the FY 98 FMFIA guidance, attachment G, there is a section on "Performance Data Quality Standards". On page 2, under "Validity", the Measurement Error paragraph states that, "The Mission/Operating Unit management establishes an acceptable level of error for its indicator data based upon the management uses of the data, as well as by practical considerations such as cost. In general, the level of error for mission/operating unit indicators is less than 25% of the expected magnitude of change". This is just to point out that the standards being dictated are different **in different** guidance and that the 95% cut-off used for the audit seems arbitrary.

Page 5-6 of that same attachment goes on to explain that one must tailor an "acceptable" margin of error to the particular indicator in question: "What is an acceptable level of error? There is no simple standard which can be applied across **all** of the data collected for USAID's varied programs and results. It should be noted that USAID is interested primarily in demonstrating with reasonable confidence that improvements occurred, not with reducing error below some arbitrary level." The SO team questions whether the IG-established ranking scale is an acceptable basis for judging audit findings for all indicators, given this guidance.

SO2: Health--Indicator 8

The auditors noted that the data from the indicator only represented 2 regions of Guinea, Haute Guinee and Guinee Forestiere. While this is true, the health portfolio in Guinea is only targeting two regions in Guinea, Haute Guinee and Guinee Forestiere. Thus, while the SO2 team may have been in error by not noting the fact, the SO2 team in reality can only be held responsible for obtaining results in the areas where it targets programs. Thus, it is feasible and realistic to only present data from the areas in which the SO's activities are being implemented.

ANNEX

SO#3 ANALYSIS OF AUDIT REPORT FINDINGS FOR INDICATORS 9 AND 12

Hypothesis: The audit team and Tom LeBlanc (Education System Data Quality Survey, 1996) use the term and concept of “validity” in different ways, and that this difference is such that it would, according to internationally recognized norms of academic research, preclude the unqualified use of a finding of “validity” from one source (i.e. LeBlanc’s report) to support or disprove an argument of “validity” in the other (i.e. audit report).

Findings:

1. The audit team explains validity as follows: “Validated: This refers to the source of the data and the reliability of that source. We considered the source reliable if it came from an independent source such as the World Bank, United Nations (UN.), independent evaluators, or an independent Demographic and Health Survey. If the data came from a contractor involved with the program or the host country government, the data would only be considered from a reliable source if USAID or an independent entity had performed an assessment of the data and/or system for generating the data and found the data or system to be reliable. ...”
2. The auditors then note on page 6 of the report that since the contractor’s report showed that there was a validity problem with the data at the school level, the indicators linked to this problem could not be considered as having been validated. However, if we return to the definition that the auditors gave of “validated” (see above), we see that they should be looking not at LeBlanc’s concept of ‘validity’ of the MEPU’s numbers, but rather LeBlanc’s concept of ‘reliability’ of the same.
3. How did LeBlanc define “validity” and “reliability”? “Data reliability is a measure of the extent to which the same data collected more than once and collected by different observers are the same.” (page 1) As for “validity” LeBlanc states “Data validity is a measure of the extent to which data available at the school level reflect reality.”
4. Insofar as reliability is concerned, the LeBlanc report states on page 19: “Overall, student data appear to be very reliable with an average difference at the national level of approximately 8%.”
5. LeBlanc’s discussion of ‘validity’ is very important for decision-makers who are trying to understand the constraints to expanding education system performance, but it goes beyond the discussion of data reliability in the audit. Essentially, in LeBlanc’s discussion of validity he is asking the question: If the children are officially enrolled in school, does it really mean that they’re receiving instruction?

When his teams visited the schools, they counted the number of children in the classroom, and compared that number with the number of children officially enrolled. The number of children actually present was only 74% of the number enrolled. The children who are not present in school may either be "phantom" students, students who are individually absent for the day (which LeBlanc acknowledges on page 12, Section 61, or students absent as a group. Classes in Guinea may not be meeting on a given day for a number of reasons (teacher absence, faculty meetings, political function, school assembly, student punishment, vaccination programs, unsafe classroom conditions, etc.) all of which would be part of the discrepancy between students observed and students enrolled. But kept in perspective, SOT #3 *is tracking enrollment rates in its indicators, not whether such enrollment provides an acceptable full year of schooling.*

Hypothetical case: It may well be that student absenteeism of 10% and teacher absenteeism of 15%, and miscellaneous class-time interruptions of 10% exist and are the norm in Guinea. If such is the case, then the field researchers in the LeBlanc study would have found around 69% of the students in class ($100\% \times .9 \times .85 \times .9 = 69\%$).

6. We do believe that Guinea may have a problem with erroneous or phantom enrollment. However, a study of this problem would need to take into account the other factors that keep regularly enrolled students out of the classroom on a given day.

CONCLUSION: The audit report should only look at LeBlanc's discussion of the reliability of the data furnished by the MEPU to answer the question of "data validated"? The audit report should also remove the inclusion of all indicators 9 and 12 in the category "not adequately supported". The audit report should also remove indicators 9 and 12 from the category "not validated."

Federal Laws and Regulations, and USAID Guidance Relevant to Measuring Program Performance

There are numerous federal laws and regulations requiring USAID (and other federal agencies) to develop and implement internal management controls to measure and report on program performance. Discussed below are examples of those requirements as well as related USAID policies and procedures.

Laws and Regulations

Chief Financial Officers Act of 1990 requires management internal controls which provide for (1) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management; and (2) the systematic measurement of performance.

Standards for Internal Controls in the Federal Government issued by the U.S. General Accounting Office in 1983 requires systems of internal controls that ensure that all transactions and other significant events are to be clearly documented, and that the documentation be readily available for examination.

OMB Circular No. A- 123 (dated June 21, 1995), which is the executive branch's implementing policy for compliance with the Federal Managers' Financial Integrity Act of 1982, requires agencies to have management internal controls to ensure that (1) programs achieve their intended results; and (2) reliable and timely information is obtained, maintained, reported and used for decision making.

OMB Bulletin 93-06 (dated January 8, 1993) requires agencies to have internal control systems to provide reasonable assurance that support for reported performance results are properly recorded and accounted for to permit preparation of reliable and complete performance information.

The Foreign Assistance Act (Section 621A), as amended in 1968, requires USAID to develop and implement a management system that provides for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to USAID and to Congress that relates USAID resources, expenditures, and budget projections to program objectives and results in order to assist in the evaluation of program performance.

USAID Policies and Procedures

The most recent USAID system, known as the Automated Directives System for Managing for Results (ADS 200 Series), for measuring and reporting on program performance was initiated in October 1995. This new system requires (Section 203.5.1a) that operating units establish performance monitoring systems to regularly collect and analyze data which will enable them to track performance and objectively report on the progress in achieving strategic objectives and intermediate results. The system also requires (Sections 203.5.5, 203.5.5e, E203 5.5 and 203.5.9a) operating units to:

- establish objective performance indicators (with related baseline data and targets) to measure progress in achieving program objectives;
- critically assess the performance data at regular intervals to ensure that reported performance data are of reasonable quality and accurately reflect performance; and
- prepare an annual Results Review and Resource Request (R4) report which must include performance information on progress in achieving its program objectives for the immediate past fiscal year.

TIPS No. 6 "Selecting Performance Indicators," which is supplemental guidance to the ADS, defines objective as:

"An objective indicator has no ambiguity about what is being measured. That is, there is general agreement over interpretation of the results. It is both unidimensional and operationally precise. To be unidimensional means that it measures only one phenomenon at a time. ... Operational precision means no ambiguity over what kind of data would be collected for an indicator. For example, while number of successful export firms is ambiguous, something like number of export firms experiencing an annual increase in revenues of at least 5 percent is operationally precise."

TIPS No. 7 "Preparing a Performance Monitoring Plan," which is also supplemental Guidance to the ADS stipulates that each performance indicator needs a detailed definition. The definition should be detailed enough to ensure that different people at different times, given the task of collecting data for a given indicator, would collect identical types of data. The definition should be precise about all technical elements of the indicator statement. For example, the TIPS states:

"As an illustration, consider the indicator number of small enterprises receiving loans from the private banking system. How are small enterprises

defined – all enterprises with 20 or fewer employees, or 50 or 100? What types of institutions are considered part of the private banking sector – credit unions, government-private sector joint-venture financial institutions?”

ADS Section E203.5.5 also requires operating units to (1) assess data quality as part of the process of establishing performance indicators and choosing data collection sources and methods; (2) collect results data for each performance indicator on a regular basis; and (3) reassess data quality as is necessary but at intervals of no greater than three years. These policies and procedures also state that if data for a performance indicator prove to be unavailable or too costly to collect, the indicator may need to be changed.

In addition, ADS Section 203.5.8c states that USAID will conduct a review of performance on an annual basis which will include analyzing operating units' performance and “shall focus on the immediate past fiscal year,” but may also review performance for prior years.

USAID guidance issued in January 1997 for preparing the R4s stated that the goal of the guidance was to generate R4s which ensure that USAID/Washington management has the information they need to make results-based resource allocations among operating units and report on the USAID's achievements. The Guidance also stated that the most effective R4s are those that (1) assess performance over the life of objectives, with an emphasis on the past year, using established indicators, baseline data and targets; and (2) state explicitly whether and how much progress or results surpassed, met or fell short of expectations. The guidance stated that the results should cover actual performance through fiscal year 1996.